

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Curt Pringle, the former Republican Assemblyman for the Sixty-eighth District, was a candidate for State Treasurer in the June 2, 1998 primary election and in the November 3, 1998 general election. Respondent Friends of Curt Pringle 1998 ("Committee") was the controlled committee of Respondent Curt Pringle. At all relevant times, Respondent Betty Presley was the treasurer of Respondent Committee, and Respondent Jeff Flint was the paid campaign manager for Respondent Curt Pringle.

This case arose from an audit of Respondent Committee by the Franchise Tax Board (the "FTB") for the reporting period January 1, 1997 through December 31, 1998. During the audit period, Respondent Committee received contributions totaling \$2,922,198, and made expenditures totaling \$2,959,122. Respondents violated the Political Reform Act (the Act")<sup>1</sup> during the reporting period covered by the audit by failing to report subvendor information regarding \$1,629,292, in expenditures.

For the purposes of this Stipulation, Respondents' violations of the Political Reform Act are stated as follows:

- COUNT 1:** Respondents failed to report subvendor information for \$48,262 in payments made to Flint Nelson Associates on the campaign statements filed on and between May 22, 1998 and October 7, 1998, for the reporting periods March 18, 1998 through May 16, 1998, May 17, 1998 through June 30, 1998, and July 1, 1998 through September 30, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 2:** Respondents failed to report subvendor information for \$275,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on August 3, 1998, for the reporting period May 17, 1998 through June 30, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 3:** Respondents failed to report subvendor information for \$10,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on August 3, 1998, for the reporting period May 17, 1998 through June 30, 1998, in violation of section 84211,

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All references to "Section(s)" are to the aforementioned Government Code unless otherwise indicated. Commission regulations appear at Title 2, California Code of Regulations, section 18109, *et seq.*

subdivision (j)(6), and section 84303 of the Government Code.

- COUNT 4: Respondents failed to report subvendor information for \$50,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on August 3, 1998, for the reporting period May 17, 1998 through June 30, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 5: Respondents failed to report subvendor information for \$1,547 in payments made to Linda Kasem & Associates on a pre-election campaign statement filed on October 7, 1998, for the reporting period July 1, 1998 through September 30, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 6: Respondents failed to report subvendor information for \$400,000 in payments made to Russo, Marsh & Raper, Inc. on a pre-election campaign statement filed on October 23, 1998, for the reporting period October 1, 1998 through October 17, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 7: Respondents failed to report subvendor information for \$175,000 in payments made to Russo, Marsh & Raper, Inc. on a pre-election campaign statement filed on October 23, 1998, for the reporting period October 1, 1998 through October 17, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 8: Respondents failed to report subvendor information for \$150,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on February 3, 1999, for the reporting period October 18, 1998 through December 31, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.
- COUNT 9: Respondents failed to report subvendor information for \$75,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on February 3, 1999, for the reporting period October 18, 1998 through December 31, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 10 Respondents failed to report subvendor information for \$250,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on February 3, 1999, for the reporting period October 18, 1998 through December 31, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 11: Respondents failed to report subvendor information for \$250,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on February 3, 1999, for the reporting period October 18, 1998 through December 31, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 12 Respondents failed to report subvendor information for \$140,000 in payments made to Russo, Marsh & Raper, Inc. on a semi-annual campaign statement filed on February 3, 1999, for the reporting period October 18, 1998 through December 31, 1998, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

RESPONDENTS: Curt Pringle, Friends of Curt Pringle 1998, Betty Presley, and Jeff Flint

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. In furtherance of this purpose, elected officers, candidates, and committees have certain filing and reporting obligations under the Act.

Section 84211, subdivision (j) requires the disclosure of specific information for all expenditures of \$100 or more made during the reporting period covered by a campaign statement. The required information includes the name and address of the person to whom the expenditure was made, the amount of the expenditure, and a brief description of the consideration that was received for the expenditure. Section 84211, subdivision (j)(6) requires campaign statements to additionally include information about each person who provided consideration for an expenditure of \$100 or more, if the person providing the consideration was different from the payee.

Section 84303 provides that no expenditure shall be made, other than for overhead and normal operating expenses, by an agent or independent contractor, including, but not limited to, an advertising agency, on behalf of, or for the benefit of any candidate or committee, unless the expenditure is reported by the candidate or committee as if the expenditure was made directly by the candidate or committee. These are commonly referred to as “subvendor” expenditures.

Requiring committees to report subvendor information is necessary to prevent campaigns from

being able to avoid having to disclose required information about their expenditures simply by making these expenditures through an agent.

Under Section 84100 and Regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure compliance with all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

Section 83116.5 provides that any person who purposefully or negligently causes any other person to violate any provision of the Act, or who aids or abets any other person in violating any provision of the Act, may be held jointly or severally liable, along with the violator, in an administrative action. This section only applies to persons who have filing or reporting obligations under the Act or who are compensated for services involving the planning, organizing, or directing of any activity regulated or required by the Act.

### **SUMMARY OF THE FACTS**

Respondent Curt Pringle, the former Republican Assemblyman for the Sixty-eighth District, was a candidate for State Treasurer in the June 2, 1998 primary election and in the November 3, 1998 general election. Respondent Friends of Curt Pringle was the controlled committee of Respondent Curt Pringle. At all relevant times, Respondent Betty Presley was the treasurer of Respondent Committee.

The FTB conducted an audit of Respondent Committee for the reporting period January 1, 1997 through December 31, 1998. During the audit period, Respondents filed campaign statements in which they reported receiving contributions totaling \$2,922,198, and making expenditures totaling \$2,959,122.

In the campaign statements filed for the 1998 calendar year, Respondents failed to disclose subvendor information for payments totaling \$1,629,292, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code. Of the subvendor expenditures not disclosed, approximately \$1,590,800 was for payments to Russo Marsh & Raper, Inc., to purchase broadcast advertising, and approximately \$38,491 was for payments to Flint Nelson Associates and Linda Kasem, for travel and office expenses.

The expenditures for which Respondents failed to properly report subvendor information are set forth in the chart below:

<b>Count</b>	<b>Reporting Period</b>	<b>Vendor</b>	<b>Date of Expenditure</b>	<b>Amount of Expenditure</b>
1	3/18-5/16/98 5/17-6/30/98 7/1-9/30/98	Flint Nelson Associates	March 24, 1998- October 6, 1998	\$48,262

2	5/17-6/30/98	Russo Marsh & Raper	May 20, 1998	\$275,000
3	5/17-6/30/98	Russo Marsh & Raper	May 21, 1998	\$10,000
4	5/17-6/30/98	Russo Marsh & Raper	May 27, 1998	\$50,000
5	7/1-9/30/98	Linda Kasem & Associates	July 10, 1998	\$1,547
6	10/1-10/17/98	Russo Marsh & Raper	October 13, 1998	\$400,000
7	10/1-10/17/98	Russo Marsh & Raper	October 16, 1998	\$175,000
8	10/18-12/31/98	Russo Marsh & Raper	October 19, 1998	\$150,000
9	10/18-12/31/98	Russo Marsh & Raper	October 20, 1998	\$75,000
10	10/18-12/31/98	Russo Marsh & Raper	October 23, 1998	\$250,000
11	10/18-12/31/98	Russo Marsh & Raper	October 27, 1998	\$250,000
12	10/18-12/31/98	Russo Marsh & Raper	October 30, 1998	\$140,000

At all relevant times, Respondent Jeff Flint was the paid campaign manager for Respondent Curt Pringle. Respondent Jeff Flint's company, Flint Nelson Associates, was located at the same site as the Committee's headquarters. Flint negligently caused the other Respondents to violate the subvender reporting requirements of the Act, by failing to provide them with detailed invoices containing subvender information. Flint received detailed media invoices directly from Russo Marsh & Raper, however he failed to forward the invoices to Respondent Betty Presley. Similarly, Flint generated detailed invoices regarding his company's expenditures on behalf of the Committee, but failed to consistently turn the invoices over to Presley. As a result, the campaign statements filed by Respondents Curt Pringle and the Committee did not contain the required subvender information.

## CONCLUSION

Respondents failed to disclose over \$1.6 million in subvender information. The total amount of subvender nondisclosure was significant. The undisclosed subvender information equaled 55% of the total expenditures reported for the audit period, and 98.5% of the total subvender expenditures examined by the FTB.

On or about April 1, 1999, Respondents voluntarily amended the campaign statements of Respondent Committee for the reporting periods October 1, 1998 through October 17, 1998, and October 18, 1998 through December 31, 1998, disclosing subvender information for all media payments made to Russo Marsh & Raper in connection with the general election held on November 3, 1998.

Respondent Curt Pringle has no record of any prior enforcement actions being taken against him or any of his controlled committees. While Respondent Betty Presley has previously been the subject of an enforcement action, the evidence in this case establishes that Respondent Jeff Flint is primarily responsible for the occurrence of the subvender reporting violations.

This matter consists of twelve counts, which carry a maximum possible administrative penalty of Twenty-four Thousand Dollars (\$24,000).

The facts of this case, including the factors discussed above, justify imposition of the agreed upon penalty of Fourteen Thousand Dollars (\$14,000).